



**FinanceAsia**



ASIA'S  
BEST  
COMPANIES  
2013 & 2014

## **FY 2014 Results Presentation**

**June 2014  
(497.HK)**

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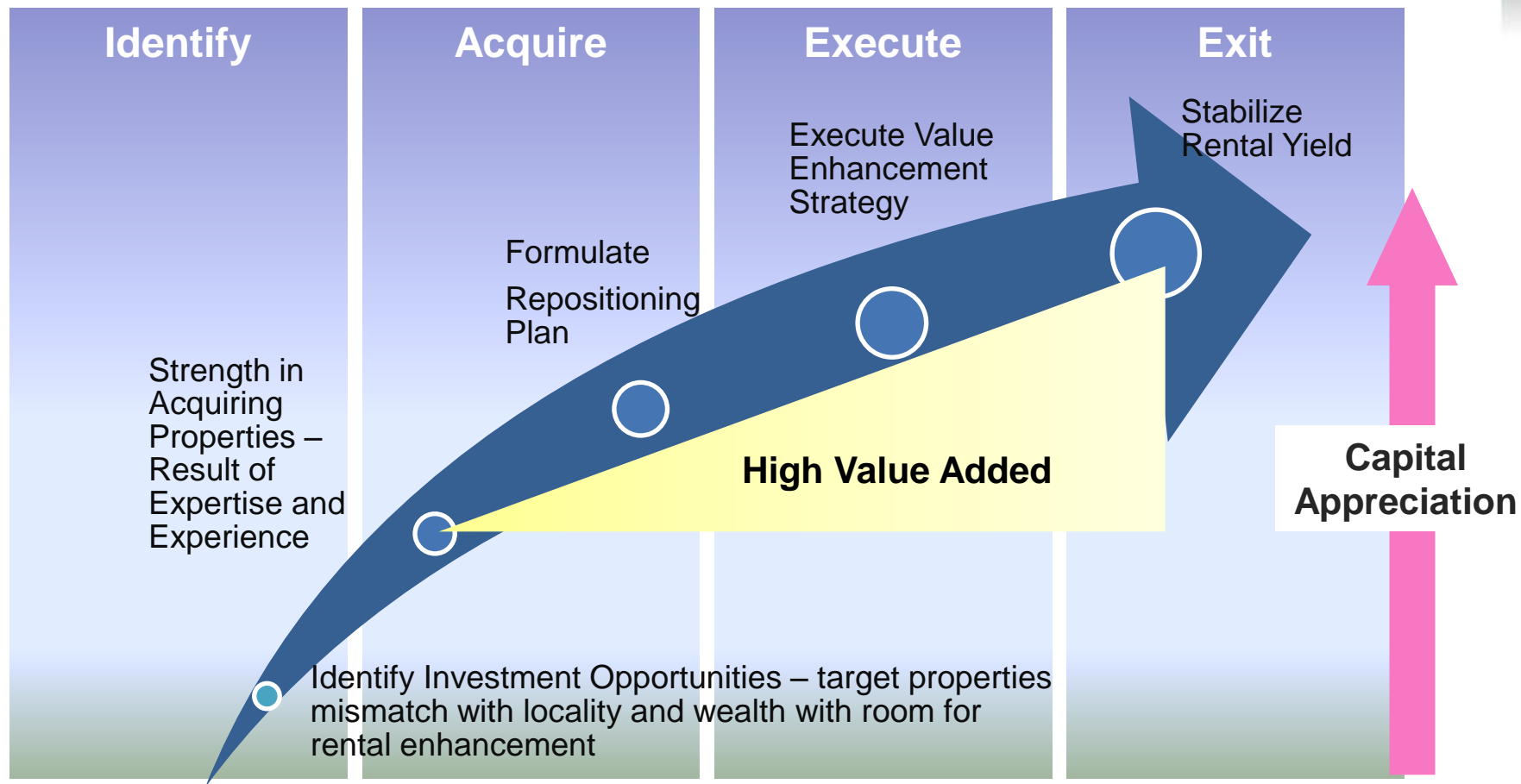
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## Executive Summary

- Mr. Mico Chung, Chairman, acquired control of the Company in 2004 as a platform to expand his property investment business
- Headquartered in Hong Kong, we are one of the fastest growing property investment/ development companies in Greater China in the past 10 years and was awarded the “Best Small-Cap Company in Hong Kong” for 2013 and 2014 by Financeasia's independent poll voted by analysts and fund managers
- Unique property repositioning model focusing on commercial projects in prime location and premium “life-style” residential properties
- Proven trackrecord from HK\$300 million asset base in 2004 to over HK\$10 billion currently and averaging approximately 30%+ annual IRR
- Strong Greater China presence with approximately 2.0 million sq. ft. of properties in Hong Kong and Shanghai under group's active management/ development
- Current market value of portfolio approximates to HK\$16.6 billion as per March 2013 independent valuation
- Recent share repurchase exercise of 249 million shares, or around 2.6% of total outstanding shares, in April 2014 a strong effort to enhance shareholder's value
- Successful inaugural 5-year US\$ 150m bond issue at 6.5% coupon in January 2013 via JPMorgan and BofA Merrill Lynch increases the asset base of Company and helps diversify funding source
- Properties valued at historical cost basis with no revaluation surplus, representing significant value in terms of discount to NAV when compared to other real estate companies in Hong Kong, and limited writedown potential in market downturn
- COUTURE HOMES, our premium lifestyle residential development division targeting lifestyle oriented end-users willing to pay a premium, will be the key growth driver going forward, complimenting our strong investment property division
- Combination of internationally-renowned architectural and interior design together with bespoke life-style furnishing and interior decoration will make COUTRE HOMES the leading lifestyle residential developer in Asia, mirroring the works of leading design-oriented developers like Candy&Candy and SC Global Developments







## Our Investment Properties Business Model – Profitable Strategic Repositioning of Properties



Well executed business model allows company to grow from  
HK\$300m asset base to HK\$10 billion from 2004 to present



## Proven Track Record and Superior Investment Return *(\*Full details in Appendix 1)*

Major Projects (up until Mar 2013)		Cost (HK\$'m)	Selling Price (HK\$'m)	Increase (%)	IRR (%)
	Paul Y. Centre, Kwun Tong (2006-07) <i>- renovation &amp; tenants repositioning</i>	780	1,150	48%	178
	No. 88 Gloucester Road, Wanchai (2003-07) <i>- renovation &amp; tenants repositioning</i>	196	783	300%	65
	4 houses in Tai Tam, Island South (2006-09) <i>- premium design &amp; major renovation</i>	280	555	98%	68
	Novel Plaza, Shanghai (2007-08) <i>- renovation &amp; tenants repositioning</i>	820	1,200	47%	84
	International Capital Plaza, Shanghai (2007-10) <i>- design, renovation &amp; tenants mix</i>	875	1,353	55%	24
	No. 14-16 Hankow Road, Tsimshatsui (2007-2011) <i>- change in use from commercial to serviced apartments</i>	620	1,380	122%	43
	11 units at The Hampton, Happy Valley (2008-2013) <i>- design, major renovation &amp; full furnishings</i>	464	1,058	128%	29
	12 Floors at AXA Centre, Wanchai# (2006-2013) <i>- renovation &amp; tenants repositioning</i>	855	1,919	124%	31

# 12 floors sold for a total of HK\$1.9 bn and completed in FY ended Mar 2011 to Mar 2013

**Real cash profit from sale of properties while maintaining outstanding investment returns with average IRR of approximately 50+% over average holding period of 3 years**

## Focused Strategy to Capture High Growth Potential in China

- CSI started operation in Shanghai in 2006 in view of the tremendous potential for China market and led by experienced management team under Ms. Dong Yan
- Capturing the long term growth potential in China that's well supported by macro economic factors
- Successful value enhancement track record include the International Capital Plaza project which cost RMB 740 million (incl. renovation) in 2007 and sold for RMB1.16 billion in December 2010 (**IRR of 20% in a holding period of 3.5 years**) and the Novel Plaza project which cost HK\$820 million (incl. renovation) in 2007 and sold for HK\$ 1.2 billion in 2008 (**IRR of 84% in a holding period of 1 year**)
- Current investment projects include the In Point shopping mall and the Platinum office building; and the high-end residential project at Qing Pu targeted for 220+ tailor-made luxury villas under COUTURE HOMES

### *Business Strategy*

- Active repositioning and value enhancement for our prime investment properties to add substantial value
- Developing premium tailor-made lifestyle residences targeting high net-worth buyers in China with strong demand for such properties
- Potential to further increase China investment from the **current 30% of CSI's total portfolio** with key focus in Shanghai



*The Platinum*



*"Dahongqiao" Project*



*In Point Shopping Mall*



COUTURE HOMES  
尚家生活

## - Our Premium Lifestyle Residential Division

- As a commitment to our positioning on tailor-made, premium lifestyle residential property development, we have rebranded our residential development division under the brand “COUTURE HOMES”
- Going forward will focus on premium residential development in partnership with leading internationally renowned award-winning architects/ designers including the yoo designer team (led by Philippe Starck), Steve Leung and Paul Davies etc.
- Focus on exploiting gap in the market to supply tailor-made “life-style” luxury residential apartments and houses to meet the untapped demand of high net-worth end users who are willing to pay premiums for such properties
- Dedicated to detailed design and top quality finishing, tailored made to aim at pre-targeted class of potential high-net worth buyers
- Deliver residences mirroring the works of world-class premium residential development companies like Candy & Candy and SC Global Developments



The Hampton



yoo Residence

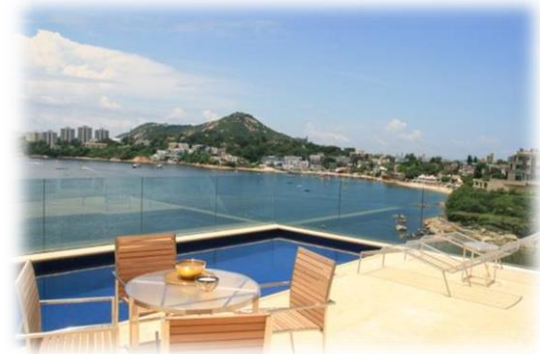


COUTURE HOMES  
尚家生活



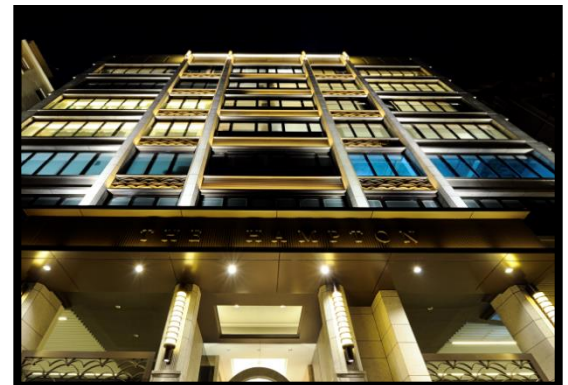
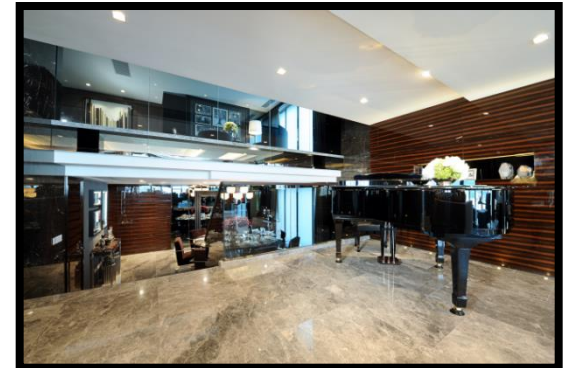
## The Origin of Couture Homes

- Purchased a detached houses complex in Tai Tam from a Singapore fund in 2006 for a total of HK\$330m (incl. renovation)
- Working with the award-winning designer team led by Steve Leung, these houses were completely redesigned and furnished with bespoke furnishings and decorations
- Excellent reception in the market with these tailored-made, luxury life-style houses quickly sold in the market at a total consideration of HK\$555 million in 2008/ 2009, **or 100% post-leveraged equity return within 3 years**
- Chairman Mico Chung and team recognise a strong demand for premium lifestyle residences targeting users who are willing to pay premium for the unique design and furnishings
- **Couture Homes as a brand was formally launched in 2010, with the first development project “The Hampton” in Happy Valley another tremendous success, setting the foundation for this premium lifestyle residential development division**



## Couture Homes as the Key Growth Driver

- The Hampton epitomizes the superior quality of our residential units by combining world-class design concepts together with use of bespoke furniture, fabrics, rugs, vanished wood panels, wall decoration and leather upholstery to set new standards of quality and lifestyles in the high end luxury residential market
- Our current and future residential projects will mirror the premium standards as seen by world-class premium residential development companies like Candy & Candy and SC Global Developments
- Forthcoming Couture Homes projects (greenfield projects with c. 900,000 sq.ft.) include:
  - yoo Residence, Nos. 33-39 Tung Lo Wan Road, Causeway Bay, Hong Kong (international branded apartments with 144 units)
  - No. 47 Barker Road, The Peak, Hong Kong (super luxury villa of 4,000 sq. ft. at this heritage site)
  - Kau To Shan site, Kowloon, Hong Kong (20 life-style luxury villas of approximately 2,000 to 4,000 sq. ft. each)
  - Prime villa development site, Qing Pu, Shanghai (224 luxury villas of approximately 2,000 to 4,000 sq. ft. each)
  - Jardine's Lookout redevelopment site, Hong Kong (detached houses and super luxury life-style apartments of approximately 4,500 sq. ft. each)
  - Prime project in Central, Hong Kong (approx. 45,000sq.ft.)





## Experienced and Disciplined Management Team

### Group Senior Management

#### **Mr. Mico Chung (Chairman and Executive Director of CSI)**

Mr. Chung acquired control of the Group in 2004 as a platform to expand his property investment business. Mr. Chung graduated from University College, University of London and qualified as a solicitor in 1986. He previously worked for the investment banking arm of Standard Chartered Bank, Bond Corporation International, China Strategic Holdings Ltd and PCCW Ltd. He has led several landmark deals including acquisition of World Trade Centre in Causeway Bay from Hongkong Land for HK\$1.72 billion in 1990, inception of the Cyberport project, acquisition by PCCW of HKT, and the spin-off of Pacific Century Premium Development from PCCW. **Under his leadership, CSI has been able to achieve an impressive 33% average annual growth in asset and superior average ROI of 60% on exited projects based on our value enhancement model.**

#### **Mr. Simon Kan (Group Legal Counsel, Company Secretary and Executive Director of CSI)**

Mr. Kan Joined the Group in 2001. He graduated from Wadham College, Oxford University in the United Kingdom in 1993 and qualified as solicitor in Hong Kong in 1997. Mr. Kan has over 10 years of legal and compliance experience in various companies listed in Hong Kong and also has worked in the commercial department of a Hong Kong law firm and a U.K. City firm. **Mr. Kan provides strong leadership on legal compliance and speedy execution of deals for CSI.**

#### **Mr. Louis Chow (Chief Financial Officer and Executive Director of CSI)**

Mr. Chow joined the Group in 2001. He graduated from the Baptist University in Hong Kong and holds a Master of Business Administration degree from the Hong Kong Polytechnic University. He has over 10 years of financial experience in various companies listed in Hong Kong and overseas and previously worked in an international firm of certified public accountants. He is a member of both the Association of Chartered Certified Accounts and the Hong Kong Institute of Certified Public Accountants. **Mr. Chow provides strong and continuous leadership to ensure financial prudence and stability for CSI.**

## Experienced and Disciplined Management Team

### **Investment Property Division**

#### **Mr. Wong Chung Kwong (General Manager of Hong Kong Investment Property Division and Executive Director of CSI)**

*Prior to joining the Group in 2004, Mr. Wong has over 30 years' experience in the local and mainland real estate markets. He has been involved in numerous property projects overseeing all aspects including sales and marketing, acquisitions, repositioning and asset management. Before joining the Group, Mr. Wong had worked in several property development and management companies in Mainland China and Hong Kong. **Mr. Wong has extensive knowledge and network within the investment property arena in Hong Kong and is key to the purchase, rental and sale of our investment properties.***

#### **Mr. Herrick Lee Kwan Yee (Head of Commercial Property Division)**

*Mr. Lee is responsible for all commercial property related investments of the Group. Mr. Lee has over 20 years of experience in real estate investments with various types of projects. Mr. Lee was an Executive Director of the Henry Group Holdings Limited, a director of Colliers International in Hong Kong and worked for a number of international surveying firms before joining the Group. Mr. Lee is a member of the Royal Institute of Chartered Surveyors and the Hong Kong Institute of Surveyors. **Mr. Lee has specialized skills for retail properties repositioning and asset enhancement by close relationships with reputable chain-store retail operators.***

#### **Ms. Dong Yan (General Manager of Shanghai Investment Property Division)**

*Ms. Dong Yan joined the Group in 2006, prior to which she was the deputy general manager of one of the largest real estate developer in Shanghai, Shanghai Real Estate Co. Ltd., for over 10 years. Ms. Dong oversaw the master planning and design work phases for numerous projects, as well as their sales and marketing activities. Ms. Dong received her post-graduate diploma on urban planning and inner city renewal from the Institute of Housing and Urban Development Studies, Rotterdam, Netherlands in 1993 and a master degree from Norwegian School of Management, as well as an EMBA from Antai School of Management, Jiao Tong University, PRC. **Ms. Dong has extensive knowledge and network within the investment property arena in Shanghai and is key to the purchase, rental and sale of our investment properties in Shanghai, while also maintaining close relationships with the respective city and district officials.***



## World-Class Architectural and Interior Design Strength

### **COUTURE HOMES (“CH”) – Premium Lifestyle Residential Development Division**

#### **Mr. Jimmy Fong (Executive Director of CSI and Head of Sales and Marketing Division of CH)**

*Prior to joining the Group in 2011, Mr. Fong has over 20 years solid experience in luxury residential real estate project development and investment, as well as in-depth knowledge of the property market. He has worked as the Director of Savills Hong Kong Limited (formerly known as First Pacific Davis) since 1993. Mr. Fong has also worked in Shanghai, PRC in the 90's and also in the real estate department of Jones Lang Wotton (now known as Jones Lang LaSalle) in 1989. **Mr. Fong has extensive knowledge and network within the Luxury residential property arena in Hong Kong and is key to the successful sale of our Couture Homes residences.***

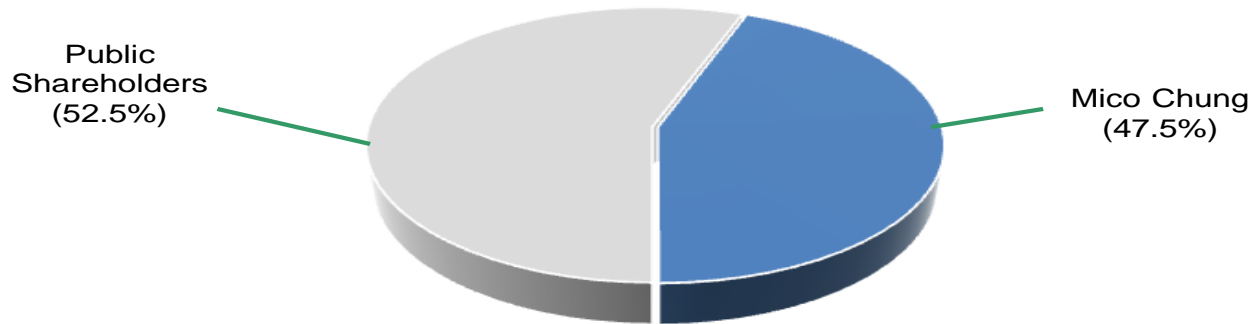
#### **Mr. Raymond Soo (Managing Director – Development of CH)**

*Mr. Soo joined the group in 2013. He graduated from the University of Sheffield, United Kingdom in 1989. Mr. Soo is a registered architect since 1994 and has over 20 years' experience in real estate developments in various countries such as Hong Kong, Macau, Mainland China, Philippines and United Kingdom. He previously worked for some major property developers such as Cheung Kong Holdings Limited and Kerry Properties Limited. Mr. Soo has a wide range of project management experience and has led project teams to complete various world class developments ranging from commercial offices, shopping centers to large scale residential developments. Mr. Soo provides strong leadership to the project team and produces quality project developments with the highest standard. **Mr. Soo is the master project director for all Couture Homes projects.***

#### **Mr. Arnold Fung (Managing Director – Design of CH)**

*Mr. Fung graduated from the University of Hong Kong with a Bachelor of Architecture degree and holds a Master of Business Administration degree from the University of Southern California, USA. Mr. Fung is a Registered Architect and Authorized Person – Architect in Hong Kong and has over 28 years of experience in both architectural and interior design field. He is a member of the Hong Kong Institute of Architects, the Royal Institute of British Architects, Royal Architectural Institute of Canada, and Ontario Association of Architects and has PRC Class 1 Registered Architect Qualification. Mr. Fung joined the Group in 2012 immediately prior to which he was an Executive Director of Steve Leung Designs Limited.*

## Strong Commitment of Controlling Shareholder



Shareholding interests based on 9,269 million, the total number of outstanding shares post-repurchase in Apr 2014

- Recent share repurchase conducted by Company in Apr 2014 for a total of 249m shares or 2.6% of total outstanding shares to enhance shareholders' value
- Mr. Chung's ownership interest increased to 47.5% in Company as a result of the share repurchase exercise
- Strong commitment of controlling shareholder and tremendous confidence in future growth prospects of CSI as he also added 2% stake in Apr 2013
- Significant institutional ownership from various global fund managers also helps to drive valuation and growth

## Recent Key Corporate Activities Highlights

- Completed a placement exercise through CLSA Capital Markets Limited and JPMorgan Securities to raise approximately US\$50 million in October 2012
- The placement proceeds further strengthen the balance sheet of the company and provide the funds for necessary acquisition of commercial and residential properties, while also helping the Group to further enhance the institutional investorbase
- The Group also achieved another major milestone on the capital management front through the completion of our inaugural bond issue in January 2013 through JPMorgan Securities and Bank of America Merrill Lynch
- The US\$150 million 5 year unrated fixed rate debut bond was priced at an attractive interest rate of 6.5% per annum
- The issue opens up a new financing avenue and allows the Group more flexibility in financing our future growth while also giving us access to a broader investor base of global fixed income investors

## Awarded “Best Small Cap Company in Hong Kong” for 2013 and 2014

- The Group was awarded the “Best Small Cap Company in Hong Kong” for 2013 and 2014 in Asia's Best Managed Companies annual poll conducted by FinanceAsia, the leading financial journal in the Asia Pacific region
- FinanceAsia has organised the annual poll to select Asia's best managed companies for over 10 years
- The poll included opinions and votes from 300 major investment professionals and financial analysts in the Asia-Pacific region and companies were rated on overall management, corporate governance, investor relations and commitment to strong dividend payments, amongst other criteria
- This award reflects the wide recognition and trust by the investment community in the Group's business strategy and track record during the past decade





## Our Future Goal

### Investment Properties

- Continue to leverage on established market strengths and network to identify and invest in properties that fit into our model of value enhancement in Hong Kong and Shanghai
- Closely monitor market conditions to optimize disposals of properties for reinvestment opportunities



### Couture Homes

- Commitment to detailed design and top quality finishing, tailored made to aim at pre-targeted class of lifestyle oriented end-users willing to pay a premium
- Leverage on Couture Homes' uniqueness and capture more development opportunities in Hong Kong and Shanghai
- Unmatched in Greater China and deliver residences mirroring world-class premium developers like Candy & Candy SC Global Developments

Young, High Growth Company with Passionate and Experienced Management Team

Become the major player in Greater China property sector with unique, twin growth engine in investment property and life-style homes, with steady profitability and dividend policy

## Massive Upside Potential in Valuation through Stock Re-rating

<u>Type of Business</u>	<u>Share Price vs NAV</u>
Major property developers	Close to NAV or slight premium
Major property investors	20% - 40% discount
Mid-cap property companies	30% - 40% discount
<b>CSI</b>	<b>Approx. 70% discount</b>

- Our current capital structure is very similar to property developers so CSI should trade at valuation similar to typical property developer
- CSI's current share price represents substantial discount which offers attractive value proposition
- Unlike other property companies, our high growth and strong real cash profit realized each year may even warrant investors to view us as a high growth company and focus on earnings multiple
- Investment and premium residential property divisions will be the twin growth engine to achieve high, stable profitability and maintain steady dividend

## Why CSI Properties

### Proven Track Record and Performance

Value enhancement model generates average annualized IRR of 60% since inception



### Profitable Twin Driver Business Model

Combining the repositioning of investment properties for value enhancement and premium **“tailor-made life-style”** residential properties development for high net-worth users



### Focused China Strategy

Strong local team and knowledge with proven track record and well established base to capture strong macro growth in China



### Management and Design Strength

Experienced and financially disciplined management combining with world-class award-winning architectural and interior design strength



### Strong Financial Performance

Strong cash profit growth, while keeping steady dividend payout

### High Growth Prospect

To become the premium mid-cap investment property and life-style residential development company within 5 years

# Prospects - List of Major Properties

INVESTOR RELATIONS

Portfolio information *		Date of Purchase	Gross Area (approx) sq ft ('000)	Market Value <sup>(1)</sup> (HK\$'m)	Book Value (HK\$'m)	Current/ Committed Annual Rent (HK\$'m)	Occupancy (%)
<b><i>Investment Property</i></b>							
G/F, 1506-07,17-22F, Skysign, 75 carpark of AXA Centre, No. 151 Gloucester Road	Wanchai	Aug '06 / May '07	109	1,985	553	58	97
The Platinum, Taicang Road (CSI – 50%)	Lu Wan	Apr '10	370	3,657	2,110	160	93
In Point, Wujiang Road & Shimenyi Road	Jing An	Aug '09	122	1,021	650	51	85
23 - 25 & 27 Ashley Road (Redevelopment)	Tsimshatsui	Sep '06	62	830	369	26	87
No. 1 Irving Street (J-Plus Hotel)	Causeway Bay	May '11	45	600	575	21	90
No. 2-4 Shelly Street (Redeveloping currently)	Central	Mar '11	40	340	304	N/A	N/A
Novotel Nathan Road Hotel (CSI – 50%)	Jordon	Jul'12	290	3,230	2,368	130	96
Golden Centre (CSI – 40%)	Sham Shui Po	Dec'12	30	536	504	16	100
No. 58-60, Sai Yeung Choi Street (CSI - 50%)	Mongkok	Jun'13	5	720	593	21	100
<b><i>Residential Property (Market value on cost only)</i></b>			<b>1,073</b>	<b>12,919</b>			
No. 47 Barker Road	The Peak	Feb '11	4	204	204	N/A	N/A
yoo Residence, No. 33-39 Tung Lo Wan Road (CSI – 50%) <sup>(2)</sup>	Causeway Bay	Jul '11	90	1,107	1,107	N/A	<b>Majority Pre-sold</b>
Land in Daihongqiao (CSI – 50%)	Daihongqiao	Jun '11	677	1,512	1,498	N/A	N/A
Land in Kau To Shan	Shatin	May '12	50	610	596	N/A	N/A
Monterey Court, Perkins Road (CSI - 60%)	Jardine's Lookut	Dec'12 <sup>(2)</sup>	68	1,568	1,568	N/A	N/A
90+% interest in prime site near LanKwaiFong	Central	Jun'13	6 (redevelopment site area only)	669	669	NA	NA
			<b>895</b>	<b>5,670</b>			

\*Based on 100% ownership interest. Source: Latest Company records

Note (1) As per valuation report by qualified valuers /Actual Sale & Purchase Agreement at end of Mar 2014.

(2) 124 units presold for a total of c. HK\$1.8 billion, with remaining special duplex and penthouse units expecting premium pricing

Disposal Pipeline

Disposal Pipeline





**Best Small-Cap**

**CSI Properties**

Hong Kong

Jonathan Hirst  
Publisher

Jame DiBiasio  
Editorial Director








# Q & As



## Appendix 1: FY2014 Results Highlights



## FY 2014 Final Results Highlights

<i>(Year ended 31<sup>st</sup> March)</i> <i>(HK\$'m)</i>	<b>FY'2014</b> <b>(A)</b>	<b>FY'2013</b> <b>(B)</b>	<b>% change</b> <b>(A/B-1)</b>
<b>Gross Revenue from property business</b>	2,578	1,162	122% 
- property sale	2,370	939	
- rental income	208	223	
<b>Gross Profit</b>	940	738	27% 
<b>Profit from Property JV/ Associates</b>	60	300	80% 
<b>Profit Attributable to Equity Holders</b>	816	903	10% 
<b>EPS (Basic)</b>	8.57 cents	10.25 cents	16% 

## FY 2014 Key Disposals

<i>Project</i>		<i>Selling Price (HK\$m)</i>
H8, 8 Hau Fook Street	TST	668
2 units of the Hampton	Happy Valley	167
Le Diamant, 703-705 Nathan Road	Mongkok	1,029
One floor of Enterprise Square	Kowloon Bay	284
Presale of c.120 units at the yoo Residence*	Causeway Bay	c. 1,800
23 <sup>rd</sup> Floor of AXA Centre	Wanchai	223

CSI has achieved several key sales totaling more than HK\$4 billion in the current fiscal year despite difficult market conditions, with 6 top floors of AXA Centre (17<sup>th</sup> -22<sup>nd</sup> Floors) and the Platinum Building the key sales target for FY 2015

Note

\*: Completion set for around mid 2015



## FY 2014 Final Results Highlights

<i>(HK\$'m)</i>	<b>FY 2014</b> <b>31<sup>st</sup> Mar 2014</b>	<b>FY 2013</b> <b>31<sup>st</sup> Mar 2013</b>
Properties & related assets	7,980	7,425
Cash & bank balances	1,795	3,132
Investments	1,924	752
Other assets	<u>148</u>	<u>181</u>
<b>TOTAL ASSETS</b>	<b>11,847</b>	<b>11,490</b>
Bank loans	2,590	2,707
Guaranteed Notes	1,170	1,170
Other liabilities	<u>309</u>	<u>528</u>
<b>TOTAL LIABILITES</b>	<b>4,069</b>	<b>4,405</b>
Minority Interests	4	21
<b>SHAREHOLDERS' EQUITY</b>	<b>7,774</b>	<b>7,064</b>

**Strong cash and cash-equivalent investment balances demonstrate financial stability while allowing for flexibility in capturing future investment opportunities**

## Pro-forma Balance Sheet Adjusted for Market Valuation

	Net Asset Value (HK\$'m)
Net assets attributable to Shareholders (audited)	7,774
Add:	
Attributable revaluation surplus relating to the Group's properties held for sale as per independent valuations at 31 March 2014*	2,457
Attributable revaluation surplus relating to the Group's properties held for sale by jointly controlled entities as per independent valuations at 31 March 2014*	1,148
Net assets attributable to Shareholders as if properties held for sale by jointly controlled entities and interests in jointly controlled entities were stated at open market value <sup>(1)</sup>	11,379
Pro-forma adjusted NAV per share <sup>(2)</sup>	<b>HK\$1.23</b> <b>(FY2013: HK\$1.14)</b>

### Notes:

(1) Deferred tax liabilities have not been provided for the attributable surplus of properties held for sale

(2) NAV per share calculated based on 9,269m shares in issue after share repurchase of 249m shares in Apr 2014

\* Independent valuations conducted by professional valuers incl. DTZ, CBRE, Jones Lane Lasalle and AG Wilkinson at Mar 31, 2014.

## FY 2014 Financial Highlights

	FY 2014 (HK\$m)	FY 2013 (HK\$m)
Book NAV attributable to Shareholders	7,774	7,064
Pro-forma adjusted NAV attributable to Shareholders	11,379	10,530
Net debt	1,966	745
Current ratio	7.09x	6.09x
Gearing ratio (consolidated)	31.7%	33.7%
Committed Property JV/ Associate Loans	1,472	1,250
Gearing ratio (incl. JV/ Associate)	44.2%	40.2%
Dividend payout	106	131
Dividend payout ratio (% of net profit)	13.0%	14.6%
Dividend yield (on announcement date)	4.00%	4.06%





## Appendix 2: Summary of Major Exited Trades





# Superior Returns and Value Creation

Properties		Date of Purchase	Date of Disposal	Months of holding	Purchase Price HK\$	Selling Price HK\$	VALUE CREATION HK\$	IRR (Annualised)
45% of interest in a development site in Leighton Road, CWB	Vacant development site in the center of the retail hub of Causeway Bay	2/2/2004	30/3/2004	2	69,975,000	107,775,000	37,800,000	8007%
Fullcorp Centre No. 53-55 Chatham Road, TST	Commercial building in the center of Tsimshatsui	20/5/2004	31/12/2004	7	223,000,000	296,000,000	73,000,000	236%
Yiu Wa Street, CWB	Vacant development site in the center of the retail hub of Causeway Bay	1/4/2005		15	240,000,000	337,000,000	97,000,000	61%
Paul Y. Centre, Kwun Tong (25%)	Industrial/ Office Building	20/1/2006	13/6/2007	17	780,000,000	1,150,000,000	370,000,000	178%
No. 88 Gloucester Road, Wanchai	Grade A office building	Jun 03	5/9/2007	51	196,000,000	783,000,000	587,000,000	65%
Tai Tam Road House A, Tai Tam	Luxury Residential	Dec 06	18-2-2008	14	83,260,000	147,000,000	63,740,000	91%
Tai Tam Road House B			12-5-2009	26	86,213,000	110,000,000	23,787,000	17%
Tai Tam Road House C			3-3-2008	15	76,286,000	138,000,000	61,714,000	91%
Tai Tam Road House D			18-7-2008	18	85,142,000	161,000,000	75,858,000	74%
Novel Plaza (50%), Shanghai	Commercial building	Oct 07	19-8-2008	12	819,000,000	1,209,000,000	390,000,000	84%
No. 14-16 Hankow Road, TST	Retail / Serviced Apartments	Apr 07	15/08/2011	52	605,000,000	1,380,000,000	775,000,000	43%
International Capital Plaza, Shanghai	Retail/Commercial Complex	Apr 07	Dec-10	44	875,000,000	1,345,600,000	470,600,000	22%
Stanley Street 30 30A, Central	Retail / Commercial	8-4-2008	24-11-2009	20	105,000,000	149,000,000	44,000,000	45%
67% interest in Yue Thai, Sheung Wan	Grade B office building	25-4-2008	26-11-2009	19	95,000,000	120,000,000	25,000,000	31%
10 floors of AXA Centre, Wanchai	Grade A office building	Aug 06	Nov 10	51	746,646,000	1,560,000,000	813,354,000	31%
Basement Floor of AXA Centre	Grade A office building	Aug 06	Sep-12	73	55,500,000	188,000,000	132,500,000	33%
24th Floor of AXA Centre	Grade A office building	Aug 06	Mar-13	80	52,500,000	171,300,000	118,800,000	29%
8 Units of the Hampton, Happy Valley	Luxury residential apartments	May 08	may 12	48	341,868,000	807,000,000	465,132,000	39%
Unit 2B of the Hampton	Luxury residential apartments	May 08	Nov-12	54	35,120,000	84,000,000	48,880,000	34%
Unit 2A of the Hampton	Luxury residential apartments	May 08	May-13	61	38,450,000	80,000,000	41,550,000	25%
Unit 1A of the Hampton	Luxury residential apartments	May 08	Oct-13	66	44,500,000	86,800,000	42,300,000	21%
H8, Hau Fook Street, TST	Commercial F&B Tower	Jun-06	Jul-13	73	311,000,000	668,000,000	357,000,000	22%
12/F Enterprise Bldg, Kln Bay	Office Building	Feb-13	Aug-13	6	263,282,500	283,535,000	20,252,500	129%
Nathan Road 703-705, Mongkok	Retail Building	Dec-13	Jul-13	7	830,000,000	1,062,715,000	232,715,000	509%
AVERAGE				35	7,057,742,500	12,424,725,000	5,366,982,500	45%

**The Hampton**



## **Appendix 3: Details of Key Investment and Residential Property Projects**



**Yoo Residence**



# Key Current Investment Projects

## AXA Centre, Wanchai

- Grade-A office located on 151 Gloucester Road with prime harbour view
- Currently still hold 6 top floors (17<sup>th</sup> -22<sup>rd</sup> floors), sky-sign, ground floor and 75 car parking spaces, after sale of the basement and 23<sup>rd</sup>/24<sup>th</sup> floors
- Tenants include AXA Insurance as its HK headquarter office for top floors and Porsche on ground level
- Occupancy at 97% with annual committed rent of c. HK\$60m
- GFA of 109,000 sq.ft. and market value of HK\$1,985m versus book value of HK\$553 million for these remaining floors



## 23, 25 & 27 Ashley Road, TST

- Ginza-style F&B buildings located in the heart of Tsim Sha Tsui
- GFA of 62,000 sq.ft. with current market value at approximately HK\$830m versus our book value of HK\$369m
- Occupancy at 87% with annual committed rent of over HK\$26m
- Currently acquiring adjacent lot on 21 Ashley Road with potential redevelopment opportunity for this 9,000 sq. ft. site



# Key Current Investment Projects

## Novotel Hotel Jordan

- Acquisition of 50% interest of **Novotel Hotel Jordan** for HK\$2.4 billion completed end of July 2012
- GFA of approximately 290,000 sq.ft. with 389 hotel rooms and prime shopping space
- Estimated gross entry yield of 5.5% and targeting yield of 7.5% within 2 years after renovation and repositioning
- Ground and basement floor tenant revamp done with conversion of second floor retail space into additional 68 new hotel rooms set for 2014 onwards



## J Plus Hotel, No.1 Irving Street

- Acquisition of **J Plus Hotel**, a Philippe Stark-designed boutique hotel, in the prime area of Causeway Bay in May 2011
- Currently with 55 rooms and running at close to full occupancy
- Rebranding underway in 2Q2014 as J Plus by yoo Hotel with upgrades and renovation
- Potential redevelopment opportunity in conjunction with the adjacent site at No.14 Pennington Street for a combined site area of 5,500 sq. ft. to becoming a prime retail/ F&B/ hotel tower in the heart of Causeway Bay





# Key Current Investment Projects

## Platinum, Shanghai

- Grade-A prime office building with 20 storeys located on Taicang Road near XianTianDi in Shanghai
- Majority of tenants are multi national corporations including the likes of McKinsey (China's headquarter), Standard Chartered Bank and LG Group etc.
- Occupancy at 93% with annual committed rent of approximately HK\$160m
- GFA of 370,000 sq.ft. and market value of HK\$3,657m versus book value of HK\$2,110 million



## In Point, Shanghai

- Popular shopping mall located in the heart of Shanghai just behind the Four Seasons Hotel on Wujiang Road
- GFA of 122,000 sq.ft. with current market value at approximately HK\$1,021m versus our book value of HK\$650m
- Occupancy at 80+% (lower due to some renovation upgrades to achieve bigger sized stores) with annual committed rent of over HK\$50m
- Further substantial increase in value expected with the opening of the adjacent Dazhongli Project of Swire Properties in FY2015/2016



# Couture Homes – Key Current Projects

## The Hampton, Happy Valley (All Sold)

- Successful sale of 11 uniquely-themed and furnished luxury units set the foundation for Couture Homes
- Combination of design concepts from world renowned designers and use of bespoke furnishing key success factors



## yoo Residence, Tung Lo Wan Road, Causeway Bay (Presale in progress)

- A prime residential site in the heart of Causeway Bay within a few walking steps to the Victoria Park
- Site area approximately 9,500 sq.ft.
- Proposed to develop into 144 high-end lifestyle units ranging from around 400 sq.ft. to over 5,000 sq. ft., and will be badged with international renowned designer brand, yoo, a first in Hong Kong
- ***Presales in progress with c. 120+ units sold for a total consideration of approximately c. HK\$ 1,800 million.***

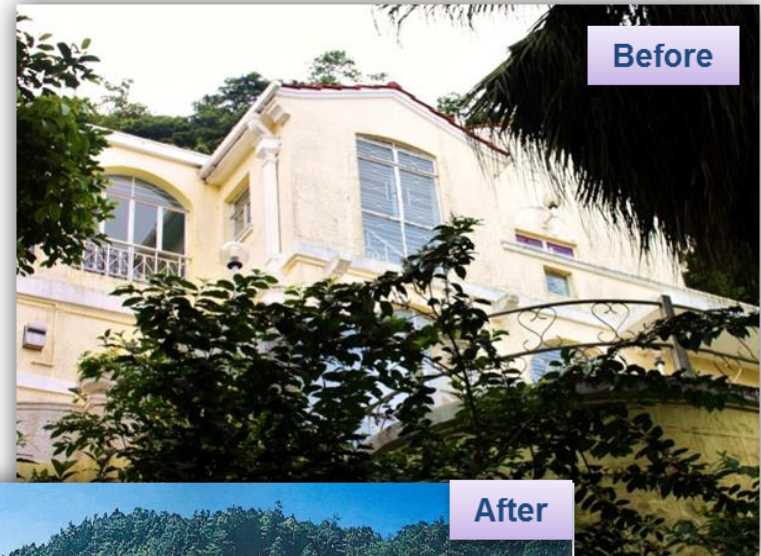




# Couture Homes – Key Current Projects

## Barker Road, The Peak

- Acquired the heritage site at **47 Barker Road** in February 2011 at HKD204 million
- A rare land lot at Barker Road in the ultra premier residential area at the Peak
- The house will be redesigned and refurbished and will blend in with its historical façade
- Recent sale of Hutchison's project on Barker Road at HK\$100K psf a reference point for sale
- ***Target completion and sale in FY 2015***



# Couture Homes – Key Current Projects

## “Dahongqiao” Project, Shanghai

- Acquired 50% interest in June 2011 for a prime residential site in the luxurious villa district in **Dahongqiao area, Shanghai**
- Project named as Queensgate with GFA of approximately 650,000 sq.ft.
- Only 15 minutes driving distance from the Hong Qiao International Airport
- Proposed to develop into 224 luxurious villas
- ***Presale targeted for end of year 2014 and completion set for mid/ late 2015***





## Couture Homes – Key Current Projects

### Kau To Shan, Shatin

- Acquisition of **Kau To Shan** land site through government tender in May 2012
- G.F.A. of approximately 50,000 sq. ft. for a cost of HK\$531m
- Plans to develop into around 20 luxury villas of approximately 2,000 to 4,000 sq.ft. each
- *Site formation work already begun with presale set for FY2015*



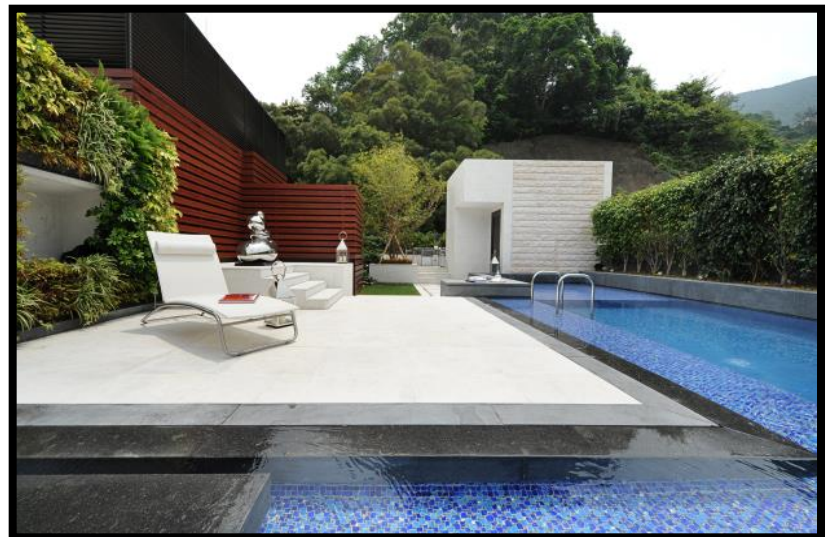
### Monterey Court, Jardine's Lookout

- Acquisition of **Monterey Court at Jardine's Lookout**, the premier luxury residential district in Hong Kong with completion targeted for Dec 2012
- G.F.A. of approximately 73,000 sq. ft and current structure undergoing demolition for redevelopment
- Current plan set for this prime location for construction of a combination of super luxury apartments with Grosvenor Fund from the UK as our development partner for the project
- *Redevelopment work starting end of 2013 with target completion and sale by FY 2016/ 2017*





## Appendix 4: Case Studies





## Ongoing Case Example: Novotel Nathan Road Hotel

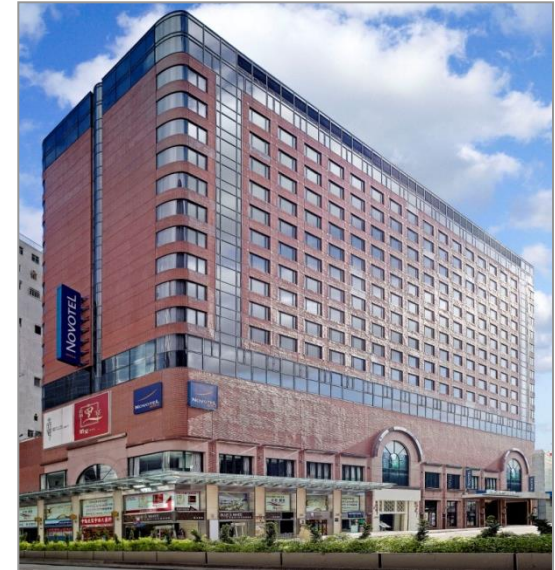
### Opportunity identified

- 4-star hotel in prime district in Kowloon
- Room for improvement in hotel rates
- Underperformance in shopping arcade rental
- Acquired property with Gaw Capital Partners in Aug 2012
- Targeting rental yield improvement within 2 years after renovation and repositioning

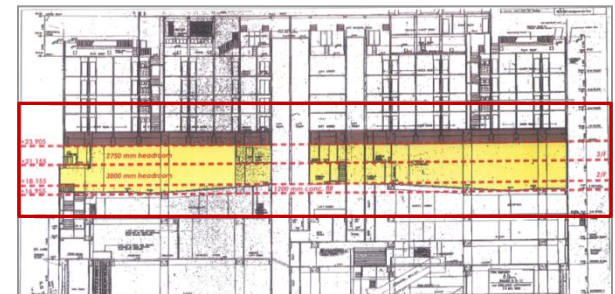
### Redevelopment plans and execution strategy

- **Basement 2: Tenant repositioning and facilities upgrade**
  - Change tenant from health care to retail and karaoke
  - Install new escalators from Basement 1 to leverage Sasa Cosmetics' traffic
  - Provide separate entrance from street level to draw more crowd
- **Ground floor: Increase retail area and income**
  - Remove existing restaurant lift lobby and relocate current hotel gym to the second floor
- **Upper ground floor: Upgrade of building facilities**
  - Install new escalators from ground floor with entrance lobby facing Nathan Road to attract greater foot traffic
- **Second floor: Change in land usage**
  - Convert current floor into 2 floors of hotel with 68 hotel rooms (each with area of ~18 sqm) and build ancillary hotel facilities
- Total redevelopment cost of ~HK\$88mm
- Target completion in 3 years

### Novotel Hotel



### Floor plan change: Adding an extra floor



## Ongoing Case Example: Monterey Court, Jardine's Lookout

### Opportunity identified

- Prime **residential tower at Jardine's Lookout**, renowned high-end residential district in Hong Kong popular to tycoons
- **Acquisition price at HK\$19,000 psf** for the site with a gross floor area of 73,000 sq ft

### Redevelopment plans and execution strategy

- **Redevelop into an iconic, super luxury apartment building**, mirroring the quality of the OPUS, the landmark building that recently transacted at over HK\$75,000 psf
- Approximately 18 super luxury apartments with unit size of 5,000 sq ft and 2 super luxury villas
- **JV with Grosvenor**, the internationally renowned developer
- Currently generating **HK\$36mm in annual rental income**
- Redevelopment expected to commence in 3Q 2013
- Target completion at end 2016

### Monterey Court (rendering)





## Success Case Example: Mohan Building

### Building exterior

#### Before renovation



#### After renovation



### Han Residence



#### Opportunity identified

- 12-storey office building **situated at the heart of Tsim Sha Tsui** shopping district leased to SMEs and trading firms
- **Poorly managed, mismatched location and positioning**
- Acquired property in April 2007 for HK\$575mm

#### Strategy employed

- Renovated both exterior and interior, **changed land use** for the office floors from commercial to residential
- **Built 51-unit serviced apartment** Han Residence
- Total renovation cost was HK\$30mm

#### Results

- Rent increased by 4 times
- Aug 2011: Sold for HK\$1,380mm
  - **Gross profit of HK\$775mm**
  - IRR of 43%
  - 4.3 years holding period

4F–12F Mohan Building	Before	After
Usage	Office	Residential
Gross floor area (sqft)	23,150	24,847
Occupancy rate	90%	90%
Rent (HK\$ psf per month)	11.0	40.2
Rental income (HK\$mm)	2.8	10.8

↑ 4x

## Success Case Example: AXA Centre

### Opportunity identified

- **Headquarter of AXA Insurance** with sweeping view of Victoria Harbour
- Acquired 51% interest from AXA Insurance in Aug 2006 and subsequently increased ownership to c.90% in 2007
- Total acquisition cost was ~HK\$1.5bn

### Strategy employed

- Improved building image via **refurbishments and upgrade** of building facilities
- Repositioned property and upgraded tenant mix to include international names
  - **Attracted brand name anchor tenants** such as Porsche and Park 'n Shop to basement retail spaces

### Results

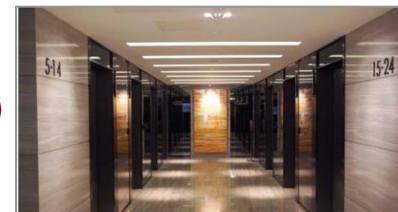
- Increased rental income by 1.6 times in 3 years
- Nov 2010: Sold 9 office floors strata title and first floor retail podium for HK\$1,560mm
  - All acquisition costs recouped
  - **Gross profit of HK\$813mm**
  - IRR of 31%
- Sep 2012: Sold basement floor for HK\$188mm
  - **Gross profit of HK\$133mm**
  - IRR of 33%
- Remainder of CSI's holding in AXA Center
  - Annual **rental income of HK\$60mm**
  - Appraised value of HK\$1,902mm, 2.9 times over book value of HK\$660mm
- If remaining interest in AXA Center were disposed at valuation, estimated profit of HK\$1.2bn and IRR of 39%

### Lift lobby

#### Before renovation

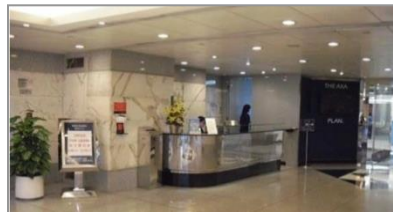


#### After renovation



### Concierge

#### Before renovation



#### After renovation



### Ground floor – tenant repositioning

**NISSAN**



**PORSCHE**







## Success Case Example: The Hampton, Happy Valley

### The Hampton

- Acquired the whole building with 15 units in May 2008 for HK\$290mm (HK\$7,800 psf) from Nan Fung Development
- Spent HK\$170mm to substantially rebuild and convert existing 15 units into 11 larger sized apartment units
- **All-in cost of HK\$12,000 psf**
- Designed and furnished by award-winning architect and designer Mr. Steve Leung and team
- Well received in the market – 9 out of 11 units sold already at an **average price of HK\$27,000 psf**
  - 3 units sold in first half of 2012 and one more unit sold and completed at HK\$84mm on 16 Nov 2012

### Building exterior

Before renovation



After renovation



### The Hampton units – lifestyle homes

